

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Hudson Township	County Mackinac
Fiscal Year End March 31, 2008	Opinion Date August 22, 2008	Date Audit Report Submitted to State September 25, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☒ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-495-5952	
Street Address 16978 S. Riley Avenue		City Kincheloe	State MI
		Zip 49788	
Authorizing CPA Signature <i>Kenneth A. Talsma</i>	Printed Name Kenneth A. Talsma, CPA		License Number 1101024989

Hudson Township

BASIC FINANCIAL STATEMENTS

March 31, 2008

HUDSON TOWNSHIP

ELECTED OFFICIALS

TOWNSHIP SUPERVISOR

ALLYN GARAVAGLIA

TOWNSHIP TREASURER

DAVID ALBRECHT

TOWNSHIP CLERK

BARBARA KERRIDGE

TOWNSHIP TRUSTEE

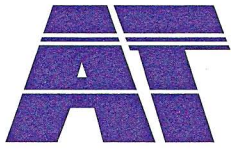
DAVE LIVERMORE

TOWNSHIP TRUSTEE

JERRY DERUSHA

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	1
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	3
Statement of Activities	4
Fund Financial Statements:	
Balance Sheet – Governmental Funds	5
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds.....	6
Fiduciary Funds:	
Statement of Fiduciary Net Assets	7
NOTES TO FINANCIAL STATEMENTS.....	8
REQUIRED SUPPLEMENTARY INFORMATION:	
Major Funds:	
Budgetary Comparison Schedule – General Fund.....	14
Budgetary Comparison Schedule – Road Fund.....	15
Budgetary Comparison Schedule – Fire Fund.....	16



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

INDEPENDENT AUDITOR'S REPORT

Members of the Board
Hudson Township
Naubinway, Michigan 49762

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hudson Township, Michigan as of and for the year ended March 31, 2008, which collectively comprises the Township's basic financial statements as listed in the Table of Contents. These basic financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as described in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 5 to the financial statements, management has not recorded certain general infrastructure and capital assets, and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general infrastructure and capital assets be capitalized and depreciated, which would increase the assets, net assets, and expenses of the governmental activities. The amount by which this departure would affect the assets, net assets, and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of the Hudson Township, as of March 31, 2008, and the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Hudson Township, as of March 31, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Township has not presented the Management's Discussion and Analysis information that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

The budgetary comparisons as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in blue ink that reads "Anderson Tackman & Co. PLC".

Anderson, Tackman & Company, PLC
Certified Public Accountants

August 22, 2008

Basic Financial Statements

**Statement of Net Assets
March 31, 2008**

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash & Equivalents - Unrestricted	\$ 298,404
Taxes Receivable	<u>11,634</u>
 TOTAL ASSETS	 <u>\$ 310,038</u>
 LIABILITIES AND NET ASSETS:	
CURRENT LIABILITIES:	
Accrued Liabilities	<u>\$ 1,564</u>
 TOTAL LIABILITIES	 <u>1,564</u>
 NET ASSETS:	
Unrestricted	<u>308,474</u>
 TOTAL NET ASSETS	 <u>\$ 308,474</u>

Hudson Township, Michigan

Statement of Activities For the Year Ended March 31, 2008

Functions/Programs	Expenses	Program Revenues			Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities:					
General Government	\$ 66,418	\$ -	\$ -	\$ -	\$ (66,418)
Public Safety	18,079	2,021	-	-	(16,058)
Public Works	55,703	-	-	-	(55,703)
Health & Welfare	1,499	-	-	-	(1,499)
Parks & Recreation	2,488	475	-	-	(2,013)
Other Expenditures	1,890	-	-	-	(1,890)
Total Governmental Activities	<u>\$ 146,077</u>	<u>\$ 2,496</u>	<u>\$ -</u>	<u>\$ -</u>	(143,581)
General Revenues:					
Taxes					149,447
State Revenue Sharing					15,818
Other					25,428
Investment Earnings (Loss)					<u>6,291</u>
Total General Revenues					<u>196,984</u>
Changes in Net Assets					53,403
Net Assets - Beginning					<u>255,071</u>
Net Assets - Ending					<u>\$ 308,474</u>

See accompany notes to financial statements.

Hudson Township, Michigan**Balance Sheet
Governmental Funds
March 31, 2008**

	General	Special Revenue Funds		Total Governmental Funds
		Road Fund	Fire Fund	
ASSETS:				
Cash & Equivalents	\$ 79,426	\$ 84,899	\$ 134,079	\$ 298,404
Taxes Receivable	2,877	5,227	3,530	11,634
TOTAL ASSETS	\$ 82,303	\$ 90,126	\$ 137,609	\$ 310,038
LIABILITIES:				
Accrued Liabilities	\$ 1,309	\$ -	\$ 255	\$ 1,564
TOTAL LIABILITIES	1,309	-	255	1,564
FUND BALANCES:				
Unreserved;				
Undesignated	80,994	-	-	80,994
Designated	-	90,126	137,354	227,480
TOTAL FUND BALANCES	80,994	90,126	137,354	308,474
TOTAL LIABILITIES AND FUND BALANCES	\$ 82,303	\$ 90,126	\$ 137,609	
Net assets of governmental activities				\$ 308,474

Hudson Township, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended March 31, 2008

	General	Special Revenue Funds		Totals Governmental Funds
		Road Fund	Fire Fund	
REVENUES:				
Taxes	\$ 70,672	\$ 47,021	\$ 31,754	\$ 149,447
License & Permits	2,021	-	-	2,021
State Sources	15,818	-	-	15,818
Charges for Services	475	-	-	475
Interest & Rentals	1,732	1,858	2,701	6,291
Other Revenue	1,658	10,000	13,770	25,428
TOTAL REVENUES	92,376	58,879	48,225	199,480
EXPENDITURES:				
General Government	66,418	-	-	66,418
Public Safety	2,107	-	15,972	18,079
Public Works	4,895	50,808	-	55,703
Health & Welfare	1,499	-	-	1,499
Parks & Recreation	2,488	-	-	2,488
Other Expenditures	1,890	-	-	1,890
TOTAL EXPENDITURES	79,297	50,808	15,972	146,077
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	13,079	8,071	32,253	53,403
FUND BALANCES, APRIL 1	67,915	82,055	105,101	255,071
FUND BALANCES, MARCH 31	\$ 80,994	\$ 90,126	\$ 137,354	\$ 308,474

Statement of Fiduciary Net Assets
Fiduciary Funds
March 31, 2008

	<u>Current Tax Collection Fund</u>
ASSETS:	
Cash & Equivalents	<u>\$ 37,299</u>
 TOTAL ASSETS	 <u><u>\$ 37,299</u></u>
 LIABILITIES:	
Due to Others	<u>\$ 37,299</u>
 TOTAL LIABILITIES	 <u><u>\$ 37,299</u></u>

Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Hudson Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the Township:

A – Financial Reporting Entity:

Hudson Township ("The Township") is a regular law Michigan township located in the eastern portion of Michigan's Upper Peninsula.

The Township operates under an elected Board of Trustees and provides services to its residents in many areas including fire protection, community enrichment and development, and health services.

The Township, for financial purposes, includes all of the funds and account groups relevant to the operations of Hudson Township. The financial statements herein do not include agencies which have been formed under applicable State laws or separate and distinct units of government apart from Hudson Township.

B – Government-Wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as needed.

C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Taxes Receivable – Current or Property Taxes

The Hudson Township property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township of Hudson as of the preceding December 31st.

The 2007 taxable valuation of Hudson Township totaled \$15,877,761 of which ad valorem taxes levied consisted of 1.5 mills for the Township operating, 2.9617 mills for roads, and 2.0 for fire operating. These amounts are recognized in the respective General and Special Revenue Funds financial statements as taxes receivable – current or as tax revenue.

The Township reports the following major governmental funds:

General Fund

This is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Road Fund

This fund accounts for the repair and maintenance of Township roads.

Fire Fund

This fund accounts for fire protection to residences of the Township.

Additionally, the Township reports the following funds:

Agency Funds

Agency Funds are used to account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All other revenue items are considered to be available only when cash is received by the government.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include charges to customers or applicants for goods, services, or privileges provided. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D - Assets, Liabilities, and Net Assets or Equity:

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand and demand deposits. Deposits are recorded at cost. The Township considers all highly liquid investments maturing in 90 days or less to be cash equivalents.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.”

Fund Balance – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information – The Township Board created a budget for fiscal year 2008.

Budgets and Budgetary Control – The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

- a. Each March, after receiving input from the individual departments, the Board prepares a proposed operating budget for the fiscal period commencing April 1 and lapses on March 31. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to April 1, the budget is legally enacted through a resolution passed by the Township Board.
- d. Budgetary control is exercised at the departmental level of the General Fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Trustees. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The Township does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year end.

Budgeted amounts are as originally adopted or amended by the Board of Trustees during the year. Individual amendments were not material in relation to the original appropriations, which were amended. The modified accrual basis of accounting is used for budgetary purposes.

The General Fund budget was adopted on the basis of activities or programs financed by the General Fund.

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General fund was modified throughout the year through various budget amendments.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

NOTE 3 - DEPOSITS AND INVESTMENTS

At year end, the Township's deposits were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds
Cash and Equivalents	\$ 298,404	37,299
Total	\$ 298,404	\$ 37,299

The Township's deposits are located in one local financial institution. Deposits are carried at cost.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**Investment and Deposit Risk**

Interest rate risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments. The Township's investment policy does not have specific limits in excess of State law on investment maturities as a means of managing its exposure to fair value losses arising from increasing rates.

Credit risk. The Township's policy limits investments in bonds, bills, or notes of the United States; certificates of deposits; commercial paper rated prime 1 or prime 2, maturing 270 days or less; and repurchase agreements consisting of the above instruments. The Township has no investments for which ratings are required.

Custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year end, \$197,039 of the Township's bank balance of \$335,744 was exposed to credit risk because it was uninsured and uncollateralized.

Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the Township to deposit and invest in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The Township's deposits are in accordance with statutory authority.

NOTE 4 - RECEIVABLES

Receivables as of year end for the government's individual major funds are as follows:

	General Fund	Road Fund	Fire Fund	Total
Receivables:				
Taxes Receivables	\$ 2,877	\$ 5,227	\$ 3,530	\$ 11,634
Net Receivables	\$ 2,877	\$ 5,227	\$ 3,530	\$ 11,634

NOTE 5 - CAPITAL ASSETS

The Township has not recorded Capital Assets. U.S. Generally Accepted Accounting Principles requires that governmental units record and depreciate Capital Assets.

NOTE 6 - CONTINGENCIES

Risk Management – The Township of Hudson is exposed to various risks of loss related to property loss, torts, errors, and omissions, employee injuries, as well as workmen's compensation benefits provided to employees. The Township participates in the Michigan Township Participating Plan for general liability, property loss, automobile, professional, public official errors and omissions liabilities. In addition, the Township has purchased commercial insurance for workmen's compensation benefits.

Settled claims for the insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverages obtained through insurance during the past year.

Required Supplementary Information

Hudson Township, Michigan

Required Supplementary Information Budgetary Comparison Schedule General Fund For the Year Ended March 31, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 69,692	\$ 74,293	\$ 70,672	\$ (3,621)
Licenses & Permits	2,000	2,100	2,021	(79)
State Sources	16,000	16,000	15,818	(182)
Charges for Services	2,200	1,200	475	(725)
Interest & Rentals	1,750	1,750	1,732	(18)
Other Revenue	1,000	1,750	1,658	(92)
TOTAL REVENUES	92,642	97,093	92,376	(4,717)
EXPENDITURES:				
General Government:				
Supervisor	4,200	4,200	4,200	-
Elections	1,000	2,500	2,453	47
Treasurer	3,600	3,600	3,600	-
Clerk	3,600	3,600	3,600	-
Trustees	12,500	17,000	15,963	1,037
Assessor	10,000	8,000	7,662	338
Board of Review	1,500	1,500	1,163	337
Buildings & Grounds	30,000	27,000	25,783	1,217
Professional	2,000	2,200	1,994	206
Cemetery	100	100	-	100
Total General Government	68,500	69,700	66,418	3,282
Public Safety:				
Fire Department	1,500	200	180	20
Inspections	1,500	2,000	1,927	73
Total Public Safety	3,000	2,200	2,107	93
Public Works:				
Streets	2,500	3,750	3,731	19
Sanitation	1,500	1,500	1,164	336
Total Public Works	4,000	5,250	4,895	355
Health & Welfare:				
Ambulance	3,200	1,500	1,499	1
Total Health & Welfare	3,200	1,500	1,499	1
Recreation and Culture:				
Park	500	2,500	2,488	12
Total Recreation and Culture	500	2,500	2,488	12
Other Expenditures:				
Other	22,000	22,000	1,890	20,110
TOTAL EXPENDITURES	101,200	103,150	79,297	23,853
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (8,558)	\$ (6,057)	13,079	\$ 19,136
FUND BALANCE, APRIL 1			67,915	
FUND BALANCE, MARCH 31			\$ 80,994	

Hudson Township, Michigan

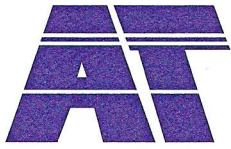
Required Supplementary Information Budgetary Comparison Schedule Road Fund For the Year Ended March 31, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 41,000	\$ 50,000	\$ 47,021	\$ (2,979)
Interest & Rentals	1,000	2,000	1,858	(142)
Other Revenue	500	15,000	10,000	(5,000)
TOTAL REVENUES	42,500	67,000	58,879	(8,121)
EXPENDITURES:				
Public Works	55,000	85,000	50,808	34,192
TOTAL EXPENDITURES	55,000	85,000	50,808	34,192
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (12,500)	\$ (18,000)	8,071	\$ 26,071
FUND BALANCE, APRIL 1			82,055	
FUND BALANCE, MARCH 31			\$ 90,126	

Hudson Township, Michigan

Required Supplementary Information Budgetary Comparison Schedule Fire Fund For the Year Ended March 31, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 29,000	\$ 34,000	\$ 31,754	\$ (2,246)
State Sources	-	500	-	(500)
Interest & Rentals	2,000	3,000	2,701	(299)
Other	250	5,000	13,770	8,770
TOTAL REVENUES	31,250	42,500	48,225	5,725
EXPENDITURES:				
Public Safety	24,450	19,200	15,972	3,228
TOTAL EXPENDITURES	24,450	19,200	15,972	3,228
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 6,800	\$ 23,300	32,253	\$ 8,953
FUND BALANCE, APRIL 1			105,101	
FUND BALANCE, MARCH 31			\$ 137,354	



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMAN, CPA, PRINCIPAL

**MEMBER AICPA
DIVISION FOR CPA FIRMS**

MEMBER MACPA

**OFFICES IN
MICHIGAN & WISCONSIN**

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Members of the Board
Hudson Township
Naubinway, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hudson Township for the year ended March 31, 2008, and have issued our report thereon dated August 22, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 22, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 22, 2008.

Significant Accounting Policies

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Hudson Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 22, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us as to determine the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Comments and Recommendations

Tax Collections (Prior Year)

The Township did not disburse tax collections within ten business days of collection. It is recommended the Township distribute tax collections to the appropriate local unit within the ten business day disbursing requirement.

Capital Assets (Prior Year)

The Township does not maintain a detail listing of its capital assets. The capital assets of the Township also are not recorded in the accounting records as required by accounting principles generally accepted in the United States of America. To strengthen control over the Township's capital assets and to be in compliance with GAAP, the Township should develop a current listing of capital assets. Each item on the list should be recorded at its historical cost or estimated cost (if historical cost cannot be determined) and depreciated over its useful life. Under GABS Statement No. 34, capital assets are required to be recorded. There should be determinable values of cost, accumulated depreciation, and current year depreciation expense.

Segregation of Duties (Prior Year)

In our assessment of the internal control structure of the Township, we noted that bookkeeping duties are handled by one individual including accounts receivable, accounts payable, posting to the general ledger, reconciling, and depositing funds. To maintain a strong internal control system in an organization, one employee should not have responsibility for all phases of a transaction. This increases the risk that errors, omissions, and irregularities will occur and not be detected in a timely manner. Due to the small size of the Township's staff, we are aware that it is not possible to segregate all duties. However, as the Township experiences growth or as responsibilities are shifted or added, segregation of duties should be a goal of management.

Policies (Prior Year)

During several discussions with the Township Treasurer we found the Township does not have written policies for accounting procedures and a Township disaster recovery plan. It is recommended the Township prepare and adopt written policies for accounting procedures and a disaster recovery plan.

A minimum capitalization policy of recording items over \$500 (or other dollar threshold established by the Board) should be considered to reduce the number of items depreciated each year. This would reduce time dedicated to this area with minimal affect on operating income.

Conflict of Interest/Competitive Bids (Prior Year)

The Township currently has no conflict of interest policy or a competitive bid policy in place. These policies ensure related parties abstain from voting on related issues and allow for competitive pricing on contracts the Township enters into.

Fraud Policy

With the implementation of Statement on Auditing Standards No. 99, auditors are required to assess policies and procedures regarding fraud risks within a governmental entity. The Board does not have a "fraud policy" which would address fraud or suspected fraud and related board actions. We recommend the Board adopt a fraud policy in compliance with SAS No. 99.

Personal Property Taxes

Currently, the Township is not recording the amount of outstanding delinquent personal property taxes that are due to the Township in the general ledger. It is recommended the Township record the amount of outstanding delinquent personal property taxes in the general ledger of each fund that has a tax levy. The Township should maintain subsidiary ledgers which show the amount of delinquent personal property taxes owed by each taxing unit by individual tax year.

Payroll

While testing payroll we determined that W-4's, I-9's and MI New Hire forms were not completed and retained. It is required that employees and employers complete the necessary portions of these forms and that they are retained.

Conclusion

We would like to express our appreciation, as well as that of our staff, for the excellent cooperation we received while performing the audit. If we can be of assistance in implementing the above recommendations, please contact us.

This information is intended solely for the use of the Board of Trustees and management of Hudson Township, Michigan and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

August 22, 2008